

**EXCELth, Inc.**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/10/10

***Sean M. Bruno***  
**Certified Public Accountants**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2009 .....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009 .....	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009 .....	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009 .....	15
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	16
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	17

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	20
SCHEDULES OF FINDINGS AND QUESTIONED COSTS	
Schedule I - Summary of the Independent Auditors' Results for the Year Ended December 31, 2009 .....	24
Schedule II - Financial Statement Findings for the Year Ended December 31, 2009 .....	25
Schedule III - Federal Award Findings and Questioned Costs for the Year Ended December 31, 2009.....	27
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS .....	30

**Sean M. Bruno**  
**Certified Public Accountants**

---

Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

I have audited the statement of financial position of **EXCELth, Inc.** (a non-profit organization) as of December 31, 2009 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the management of **EXCELth, Inc.** My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **EXCELth, Inc.** as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana  
Page -2-

In accordance with Government Auditing Standards, I have also issued my report dated September 22, 2010, on my consideration of **EXCELth, Inc.**'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements of **EXCELth, Inc.** taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 22, 2010

***Sean M. Bruno***  
**Certified Public Accountants**

**EXCELth, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2009**

---

**ASSETS**

**Assets:**

Cash (NOTE 2)	\$ 2,664,268
Investments	150,000
Grants receivable (NOTE 6)	1,762,319
Other receivable	24,577
Property, plant and equipment net of accumulated depreciation of \$387,657 (NOTES 2 and 7)	316,869
Deposits	11,544
Prepaid expenses	<u>9,765</u>
Total assets	<u>\$ 4,939,342</u>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable	\$ 1,081,640
Accrued payroll and related fringe benefits	113,514
Compensated absences (NOTE 8)	127,932
Deferred revenue (NOTE 10)	<u>2,076,480</u>
Total liabilities	<u>3,399,566</u>

**Net Assets (NOTE 2):**

Unrestricted	916,121
Unrestricted - board designated (NOTE 9)	<u>623,655</u>

Total net assets 1,539,776

Total liabilities and net assets \$ 4,939,342

The accompanying notes are an integral part of these financial statements.

**EXCELth, Inc.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**Support and Revenues:**

Grants	\$ 6,670,938
Contract services	253,576
Patient services	196,555
Interest income	4,175
Other grants and income	81,939
Contributions	<u>14,689</u>

Total support and revenues	<u>7,221,872</u>
----------------------------	------------------

**Expenses:**

**Program Services:**

Primary healthcare	2,899,999
HIV prevention and care	277,014
Behavioral Health	<u>592,408</u>

Total program services	3,769,421
------------------------	-----------

Support services	<u>2,656,826</u>
------------------	------------------

Total expenses	<u>6,426,247</u>
----------------	------------------

Change in net assets	795,625
----------------------	---------

**Net Assets:**

Net assets, beginning of year	<u>744,151</u>
-------------------------------	----------------

Net assets, end of year	<u>\$ 1,539,776</u>
-------------------------	---------------------

The accompanying notes are an integral part of these financial statements.

**EXCELth, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

Cash Flows from Operating Activities:

Change in net assets	\$ 795,625
Adjustments to reconcile change in net assets to net cash provide by operating activities:	
Depreciation expense	54,549
Increase/Decrease in:	
Increase in grants receivable	(1,032,295)
Increase in deposits	(6,036)
Decrease in other receivable	4,513
Increase in prepaid expenses	(9,765)
Increase in accounts payable	884,425
Increase in accrued payroll and related fringe benefits	28,889
Increase in compensated absences	18,901
Decrease in deferred revenue	<u>(1,043,458)</u>
Net cash used in operating activities	<u>(304,652)</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of fixed assets	(255,176)
Purchase of investments	<u>(150,000)</u>
Net cash used in investing activities	<u>(405,176)</u>
Net decrease in cash	(709,828)
Cash, beginning of year	<u>3,374,096</u>
Cash, end of year	<u>\$ 2,664,268</u>

The accompanying notes are an integral part of these financial statements.



**EXCELth, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>			<u>Total</u>	<u>Total</u>	<u>Total</u> <u>Expenses</u>
	<u>Primary</u>	<u>Behavioral</u>		<u>Program</u>	<u>Support</u>	
	<u>Healthcare</u>	<u>HIV/AIDS</u>	<u>Health</u>	<u>Services</u>	<u>Services</u>	
<b><u>Expenses</u></b>						
Personal services	\$ 1,814,250	\$ 159,385	\$ 355,379	\$ 2,329,014	\$ 776,011	\$ 3,105,025
Accrued Leave	-	-	-	-	20,597	20,597
Fringe benefits	437,667	48,985	89,133	575,785	234,609	810,394
Travel	13,733	6,340	8,563	28,636	52,769	81,405
Transportation	19,965	8,662	7,095	35,722	31,469	67,191
Supplies	9,352	3,134	6,146	18,632	20,669	39,301
Incentives/vouchers/outreach	-	1,995	-	1,995	-	1,995
Medical supplies	75,383	23,445	252	99,080	7,672	106,752
Professional fees	420,542	95	81,760	502,397	1,157,336	1,659,733
Lab fees	873	-	-	873	-	873
Other	50	-	-	50	-	50
Insurance	15,710	1,235	1,572	18,517	41,283	59,800
Rent	15,464	18,217	20,778	54,459	90,009	144,468
Data processing	10,419	-	-	10,419	26,912	37,331
Repairs and maintenance	29,269	1,871	3,973	35,113	8,256	43,369
Telephone	13,909	1,227	13,501	28,637	37,887	66,524
Public relations & development	423	600	200	1,223	8,204	9,427
Scholarship/benefits	-	-	-	-	5,000	5,000
Depreciation/amortization	-	-	-	-	54,549	54,549
Dues and subscriptions	6,352	-	43	6,395	26,504	32,899
Meetings	7,986	1,660	3,317	12,963	32,380	45,343
Printing	1,742	124	424	2,290	3,977	6,267
Postage	133	39	274	446	1,752	2,198
Licenses	4,298	-	-	4,298	3,064	7,362
Equipment	-	-	-	-	15,917	15,917
Interest	2,477	-	-	2,477	-	2,477
<b>Total</b>	<b>\$ 2,899,997</b>	<b>\$ 277,014</b>	<b>\$ 592,410</b>	<b>\$ 3,769,421</b>	<b>\$ 2,656,826</b>	<b>\$ 6,426,247</b>

The accompanying notes are an integral part of these financial statements.

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 - ORGANIZATION:**

**EXCELth, Inc.** was organized to bring together a variety of resources and services which are directed towards building local capacity to provide basic primary care services for the community. Through the administration of city, state, federal and private resources, **EXCELth, Inc.** is responsible for providing direction, leadership and resource development. These resources are utilized to ensure that primary care services such as prenatal care, pediatric, adolescent, adult and geriatric care, case management, HIV prevention, transportation, laboratory, X-ray, pharmacy and dental care are available and accessible through the network of health providers.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Principles of Accounting**

**EXCELth, Inc.** is a non-profit community based organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Reporting**

**EXCELth, Inc.** has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Account for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," which is codified in FASB ASC Topic 958 and reports its financial position and activities according to three classes of net assets according to externally (donor) imposed restrictions.

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Basis of Reporting, Continued**

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **EXCELth, Inc.** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

As of December 31, 2009, **EXCELth, Inc.** did not have any temporarily or permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, **EXCELth, Inc.** considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Property, Plant, and Equipment**

Property, plant, and equipment is recorded at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are 3, 5, and 20 years.

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Allowance for Losses**

Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

**Support and Revenues**

Revenues received under governmental grant programs are recognized when earned.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the board of directors.

**Fair Value**

**EXCELth, Inc.** adopted certain provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements which are codified in FASB ASC Topic 820. ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires **EXCELth, Inc.** to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy, the details of such fair value measurements.

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 3 - ECONOMIC DEPENDENCY:**

The primary source of revenue for **EXCELth, Inc.** is federal, state, and local grants provided through various funding agencies. The continued success of **EXCELth, Inc.** is dependent upon the renewal of contracts from current funding sources, including the Department of Health and Human Services, and obtaining new funding.

**NOTE 4 - INCOME TAXES:**

**EXCELth, Inc.** is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

**NOTE 5 - CONCENTRATIONS OF CREDIT RISK:**

Financial instruments that potentially subject **EXCELth, Inc.** to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. In order to mitigate the concentration of credit risk, **EXCELth, Inc.** has its cash accounts swept into a secured government backed account on a daily basis.

**NOTE 6 - GRANTS RECEIVABLE:**

Grants receivable consists of the following as of December 31, 2009:

Department of Health and Human Services:	
HRSA - Health Center Cluster	\$ 1,212,347
ARRA Funds	380,907
Children's Defense Fund	31,254
Pace Greater New Orleans	<u>137,811</u>
Total	<u>\$ 1,762,319</u>

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT:**

	<u>Balance at</u> <u>01/01/09</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance at</u> <u>12/31/09</u>
Furniture, fixtures and equipment	\$ 234,407	\$ 5,494	\$ 239,901
Vehicles	214,943	-0-	214,943
Construction-in-progress	-0-	249,682	249,682
Accumulated depreciation	<u>(333,108)</u>	<u>(54,549)</u>	<u>(387,657)</u>
Net property, plant, and equipment	<u>\$ 116,242</u>	<u>\$ 200,627</u>	<u>\$ 316,869</u>

Depreciation expense for the year ended December 31, 2009 totaled \$54,549.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES:**

**Participation in Grant Programs**

**EXCELth, Inc.** is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by the grants are under the control and administration of **EXCELth, Inc.** and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 8 - COMMITMENTS AND CONTINGENCIES, CONTINUED:**

**Compensated Absences**

Employees of **EXCELth, Inc.** are entitled to paid vacation and paid sick days depending on length of service and other factors. **EXCELth, Inc.**'s policy is to recognize the costs of compensated absences when actually earned by employees. As of December 31, 2009, the liability recorded for compensated absences totaled \$127,932.

**NOTE 9 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED:**

As authorized by the Board of Directors, the management of **EXCELth, Inc.** is required to reserve an initial amount of \$150,000 with additional increases of a maximum of 25% of quarterly surpluses thereafter. The Board of Directors has designated the amount for future operating expenses, purchasing of fixed assets and facility expansion. As of December 31, 2009, unrestricted net assets - board designated totaled \$623,655.

**NOTE 10 - DEFERRED REVENUE**

Deferred revenues represent Federal and private grant funds received in advance of the related activities and/or funding period. Subsequent to year end, **EXCELth, Inc.** was required to return unexpended funds received from the United Health Foundation. The amount returned was \$1,331,718, which was the amount requested by the funding source based on their audit of **EXCELth, Inc.**'s expenditures relating to the program.

Deferred revenue consists of the following as of December 31, 2009:

United Health Foundation	\$ 1,331,718
Louisiana Public Health Institute	
Primary Care Access Stabilization Grant	<u>744,762</u>
Total	<u>\$ 2,076,480</u>

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 11 - FAIR VALUE MEASUREMENTS OF  
FINANCIAL ASSETS AND LIABILITIES:**

In accordance with FASB ASC Topic 820 fair value is defined as the price that EXCELth, Inc. would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 established a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to established classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of EXCELth, Inc. assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determine through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.



**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 11 - FAIR VALUE MEASUREMENTS OF  
FINANCIAL ASSETS AND LIABILITIES, CONTINUED**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. **EXCELth, Inc.**'s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. All investments are considered level 1 investments.

The carrying value and the estimated fair values of **EXCELth, Inc.**'s financial instruments at December 31, 2009 are as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$2,664,268	\$2,664,668
Investments	150,000	150,000
Grants receivable	1,762,319	1,762,319
Other receivables	24,577	24,577

## **SUPPLEMENTARY INFORMATION**

EXCELth, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>ACTIVITY</u>
U.S. Department of Health and Human Services			
<u>Direct Awards</u>			
Community Health Center	93.224	N/A	\$ 3,610,932
ARRA Health Center - Integrated Services Initiative	93.703	N/A	380,907
HIV Prevention Activities Non-Governmental Organization Based	93.939	N/A	277,016
<u>Awards From A Pass-Through entity</u>			
Louisiana Public Health Institute			
Centers for Medicare and Medicaid Services	93.779		<u>1,172,574</u>
Total Expenditures of Federal Awards			<u>\$ 5,441,429</u>

See the Independent Auditors' Report on Supplementary Information

EXCELth, Inc.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

---

NOTE 1 – Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of EXCELth, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**Sean M. Bruno**  
**Certified Public Accountants**

---

Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

I have audited the financial statements of **EXCELth, Inc.** as of and for the year ended December 31, 2009 and have issued my report thereon dated September 22, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered **EXCELth, Inc.**'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **EXCELth, Inc.**'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of **EXCELth, Inc.**'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting and its operations that I consider to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(CONTINUED)

**Internal Control Over Financial Reporting, (Continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of **EXCELth, Inc.**'s financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the Schedule of Findings and Questioned Costs at finding 2009-01 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **EXCELth, Inc.**'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

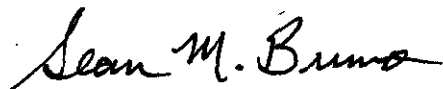
However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests of compliance disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2009-01 and 2009-02.

I noted certain matters that I reported to management of **EXCELth, Inc.** in a separate letter dated September 22, 2010.

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

EXCELth, Inc.'s response to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit EXCELth, Inc.'s response and, accordingly I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties, under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.



SEAN M. BRUNO  
CERTIFIED PUBLIC ACCOUNTANTS

September 22, 2010

**Sean M. Bruno**  
**Certified Public Accountants**

---

Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

**Compliance**

I have audited the compliance of **EXCELth, Inc.** (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2009. **EXCELth, Inc.**'s major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **EXCELth, Inc.**'s management. My responsibility is to express an opinion on **EXCELth, Inc.**'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **EXCELth, Inc.**'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on **EXCELth, Inc.**'s compliance with those requirements.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

**Compliance, (Continued)**

In my opinion, EXCELth, Inc. complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2009. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-01, 2009-02, and 2009-03.

**Internal Control Over Compliance**

The management of EXCELth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered EXCELth, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of EXCELth, Inc.'s internal control over compliance.

A deficiency in EXCELth, Inc.'s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

**Internal Control Over Compliance, (Continued)**

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to material weaknesses as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

EXCELth, Inc.'s response to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit EXCELth, Inc.'s response and, accordingly, I express no opinion on it.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

This report is intended solely for the information and use of management, the Board of Directors, the audit committee, State of Louisiana and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



SEAN M. BRUNO

CERTIFIED PUBLIC ACCOUNTANTS

September 22, 2010

**SCHEDULE I**

**SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS**

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

1. Type of report issued on the financial statements. Unqualified opinion
2. Did the audit disclose any significant deficiencies in internal control? No
3. Did the audit disclose any material weaknesses in internal control? Yes
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? No
5. Did the audit disclose any significant deficiencies in internal control over major programs? Yes
6. Did the audit disclose any material weaknesses in internal control over major programs? No
7. Type of report issued on compliance for major programs. Unqualified
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a)? Yes
9. The following is an identification of major programs:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
93.224	Community Health Center
93.703	ARRA Health Center - Integrated Services Initiative
93.779	Primary Care Access Stabilization Grant
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530? No

**SCHEDULE II**  
**FINANCIAL STATEMENT FINDINGS**

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FINANCIAL STATEMENT FINDING**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Audit Finding Reference Number**

2009-01 - Accounting System

**Criteria**

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

**Conditions and Perspective**

During my audit, it was noted that management failed to follow established procedures to ensure that accounting records and general ledger accounts were reconciled and reviewed on a monthly basis. I noted several instances in which these manual entries are not being recorded, resulting in the system posting a balancing entry to a due to/due from account. The aforementioned condition resulted in inaccurate financial statements being generated during the year, which limits the effectiveness of management to make financial decisions regarding EXCELth, Inc.

**Cause**

Management's failure to ensure that accounts are reconciled and reviewed by staff on a monthly basis.

**Effect**

EXCELth Inc.'s, Inc. is in non-compliance with OMB Circular A-110 financial reporting standards.

**Recommendation**

I recommend that management of EXCELth, Inc. upgrade their hardware and software systems. Management should also review their staffing needs as well as evaluating the responsibilities and duties of their Chief Financial Officer. I also recommend that management adhere to established procedures and ensure that accounting records are properly maintained, reconciled, and reviewed by management on a timely basis.

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FINANCIAL STATEMENT FINDING**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Audit Finding Reference Number**

2009-02 - Untimely submission of audit report

**Criteria**

Pursuant to the requirement of Louisiana Statute R.S. 24:513, annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year, and according to OMB Circular No. A-133, section 320, Single audits are required to be completed and the data collection form and reporting package submitted within the earlier of thirty (30) days after receipt of the auditor's report, or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

**Conditions and Perspective**

The December 31, 2009 audit report was not submitted within the prescribed time frames.

**Cause**

Management failed to ensure that the audit report was issued within prescribed timeliness.

**Effect**

*Excelth, Inc. has not complied with the audit requirement of the State of Louisiana.*

**Recommendation**

I recommend that management of **EXCELth, Inc.** take steps to ensure that the financial audit is submitted within the prescribed state deadlines.



**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

**2009-01 - Accounting System**

See finding number 2009-01 in section II.

**2009-02 - Untimely submission of audit report**

See finding number 2009-02 in section II.

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**  
**(CONTINUED)**

**Audit Finding Reference Number**

2009-03 - Sub-recipient Monitoring

**Federal Program Specific Federal Award Identification**

**CFDA Title and Number**

93.224	Consolidated Health Centers
93.703	ARRA Health Center - Integrated Services Initiative

**Federal Award Year**

December 31, 2009

**Federal Agencies**

U.S. Department of Health and Human Services

**Criteria**

OMB Circular A-133 Compliance Supplement Part 3, Section M stipulates that a pass-through entity should monitor the sub-recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub-recipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals are achieved.

**Conditions and Perspectives**

I noted during my audit that **EXCELth, Inc.** disbursed \$650,000 to a sub-recipient without a current contract on file that detailed the specific services to be provided and the billing and payment method. The contract that was on file was executed in 2005. We also noted that **EXCELth, Inc.** failed to properly monitor the activities of the sub-recipient.

**EXCELth, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**  
**(CONTINUED)**

**Audit Finding Reference Number**

2009-03 - Sub-recipient Monitoring, Continued

**Cause**

**EXCELth, Inc.** failed to establish policies and procedures to ensure sub-recipients of Federal awards are monitored in accordance with A-133 requirements.

**Questioned Costs**

For the purpose of this finding, we have not questioned costs.

**Effect**

**EXCELth, Inc.** is in noncompliance with the Sub-Recipient Monitoring compliance requirement.

**Recommendation**

I recommend that **EXCELth, Inc.** revise the contract that is on file with the sub-recipient and establish policies and procedures to ensure the activities of the sub-recipient are properly monitored.

**SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS**

**EXCELth, Inc.**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

Audit Finding Reference Number

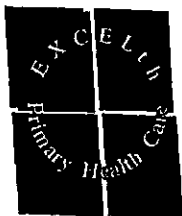
2008-01 - Accounting System

Conditions

During my audit, it was noted that the current accounting software system being utilized by management appears to be obsolete and results in management having to post manual journal entries to reconcile certain general ledger accounts. These reconciliations were not made by management during the year.

Status

Unresolved. See current year's finding 2009-01.



## **EXCELth, INC.**

1515 Poydras Street, Ste. 1070  
New Orleans, LA 70112-3723

(504) 524-1210 FAX (504) 524-1491

4560 North Blvd., Suite 104

Baton Rouge, LA 70821-0966

(225) 201-9862

September 22, 2010

**Michael A. Andry** Chief  
Executive Officer

**Monir Shalaby, MD, FAAP**  
Medical Director

Sean M. Bruno, CPAs  
4949 Bullard Avenue, Suite 100  
New Orleans, LA 70128

Re: Audit Findings for Audit Report for period ending December 31, 2009

Below is our responds to each of the auditors= comments per your request.  
Each comment is listed and our action plan follows.

### **Audit Finding: 2009-001 Accounting System**

The Independent Auditors noted during the audit that management failed to follow established procedures to ensure that accounting records and general ledger accounts were reconciled and reviewed on a monthly basis. The current accounting system being utilized by management resulted in the system posting a balancing entry to a due to/from account. This condition resulted in inaccurate financial statements being generated during the year and results in management having to post manual journal entries to reconcile accounts after year end.

### **Proposed Corrective Action**

EXCELth's management upgraded the accounting system as of January 2010. This will provide direct access to the system to review the postings monthly and avoid numerous year ends adjustments. Management will also review the staffing needs and responsibilities of staff within the Finance Department to ensure more adequate review of the accounting records and reconciled timely.

**Projected Implementation/Completion Date:** October 31, 2010

### **Audit Finding: 2009-002 Untimely submission of audit report**

The Independent Auditors noted that 2009 audit was not submitted to the State of Louisiana within the six months requirement.

**Proposed Corrective Action**

Management will ensure that audits will be submitted timely in the future

**Projected Implementation/Completion Date: June 30, 2011**

Should you have additional concerns regarding our proposed corrective action, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron G. Tregre". The signature is fluid and cursive, with a large loop at the end.

Byron G. Tregre  
Chief Financial Officer

cc: M. Andry



**Sean M. Bruno**  
**Certified Public Accountants**

---

Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

I have audited the financial statements of **EXCELth, Inc.** for the year ended December 31, 2009, and have issued my report thereon dated September 22, 2010.

In planning and performing my audit of the financial statements, I considered the organization's internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

During my audit, I became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. Also, I have reviewed Management's Corrective Action Plan with regard to my December 31, 2009 management letter. The current status of the December 31, 2008 conditions have been summarized in the accompanying memorandum.

This letter does not affect my report dated September 22, 2010 on the financial statements of **EXCELth, Inc.**

**EXCELth, Inc.**  
**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

---

***CURRENT YEAR MANAGEMENT LETTER COMMENTS***

**1. RECONCILIATION OF GENERAL LEDGER ACCOUNTS**

**Condition**

I noted during my audit that management of **EXCELth, Inc.** failed to perform monthly reconciliations of general ledger accounts and timely preparation of invoices/reimbursement requests for contract services rendered.

It was noted that payments on receivable balances were improperly recorded as revenue, billings for contract services rendered were not current at year-end, grant revenue and deferred revenue were not reconciled to grants receivable and grant expenditures, and accounts payables were not reconciled.

**Cause**

**EXCELth, Inc.** management failed to follow prescribed procedures which require monthly reconciliations of general ledger accounts and timely preparation of invoices/reimbursement requests for contract services rendered.

**Effect**

Financial statements generated during the year are inaccurate and limits management's ability to make effective financial decisions.

**Recommendation**

I recommend that **EXCELth, Inc.** follow prescribed procedures that require monthly reconciliations of general ledger accounts and timely preparation of invoices for contract services.

**EXCELth, INC.**  
**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED**

---

***CURRENT YEAR MANAGEMENT LETTER COMMENT, CONTINUED***

**2. POLICIES AND PROCEDURES**

**Condition**

I noted during my audit that management of EXCELth, Inc. has failed to update or properly follow established policies and procedures.

**Cause**

Certain practiced procedures were modified as a result of Hurricane Katrina and personnel changes and management failed to update all written policies and procedures.

**Effect**

EXCELth, Inc. has not properly documented policies and procedures.

**Recommendation**

I recommend that management of EXCELth, Inc. review and update all written policies and procedures.

**EXCELth, INC.**  
**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED**

---

**3. DEFERRED REVENUES**

Condition

I noted during my audit that **EXCELth, Inc.** has a large deferred revenue balance on the books. Subsequent to December 31, 2009, one of the funding sources has requested that **EXCELth, Inc.** return the remaining unexpended balance of \$1,331,718. The deferred revenue balance per the general ledger totals \$1,695,846. The difference is the result of the funding source using undocumented costs in their calculation. Management was unable to reconcile the difference.

Cause

**EXCELth, Inc.** has been unable to utilize the funds for the intended purpose, which is to support health clinics in the city of New Orleans.

Effect

The deferred revenue balance continues to increase annually and **EXCELth, Inc.** was required to return some of the funds.

Recommendation

I recommend that management implement a plan to utilize the funds or consider returning the funds to the funding source.

**EXCELth, INC.**  
**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED**

---

***STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS***

**1. POLICIES AND PROCEDURES**

**Condition**

I noted during my audit that management of EXCELth, Inc. has failed to update or properly follow established policies and procedures.

**Status**

Unresolved.

**2. MINUTES OF THE BOARD DIRECTORS' MEETINGS**

**Condition**

I noted during my audit that the minutes from the Board of Directors' meetings had not been transcribed at the time of my fieldwork.

**Status**

Resolved.

**EXCELth, INC.**  
**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED**

---

***STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS, CONTINUED***

**3. DEFERRED REVENUES**

Condition

I noted during my audit that EXCELth, Inc. has a large deferred revenue balance on the books. The deferred revenues is from various funding sources and could potentially result in funds being returned to the funding source, if the funds are not being utilized.

Status

Unresolved.

\*\*\*\*\*

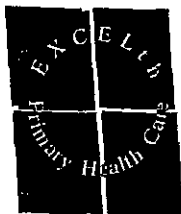
I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with appropriate personnel of EXCELth, Inc., and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management and State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**SEAN M. BRUNO**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 22, 2010



## **EXCELth, INC.**

1515 Poydras Street, Ste. 1070  
New Orleans, LA 70112-3723  
(504) 524-1210 FAX (504) 524-1491

4560 North Blvd., Suite 104  
Baton Rouge, LA 70821-0966  
(225) 201-9862

September 30, 2010

**Michael A. Andry** Chief  
Executive Officer

**Monir Shalaby, MD, FAAP**  
Medical Director

Sean M. Bruno, CPAs  
4949 Bullard Avenue, Ste 100  
New Orleans, LA 70128

Re: Auditors Comments to Management for period ending December 31, 2009

Below is our responds to each of the auditors comments per your request. Each comment is listed and our action plan follows.

### **Auditors Comment: # 1 Reconciliation of General Ledger Accounts**

The Independent noted that EXCELth failed to perform monthly reconciliations of general ledger accounts and timely preparation of invoices / reimbursement request for contract services.

### **Proposed Corrective Action**

EXCELth will follow prescribed procedures and reconcile the general ledger monthly. EXCELth will also prepare invoices for contract services timely.

**Projected Implementation/Completion Date:** Current / August 31, 2010

### **Auditors Comment: # 2 Policies and Procedures**

The Independent Auditors noted that EXCELth did not update policies and procedures that were changes as a result of Hurricane Katrina.

### **Proposed Corrective Action**

EXCELth has contracted with Paychex HR to assist its Human Resource Director to review and revise the agency policies in Phase I. This phase is completed and waiting approval from the Board of Directors. During Phase II we have begun reviewing and updating other procedures to ensure the compliance with agency policies and safeguarding of its assets.

**Projected Implementation/Completion Date:** Current / October 31, 2010

**Auditors Comment: # 3 Deffered Revenue**

The Independent Auditors noted that management was unable to utilize the funds for the intended purpose by the end of the year and could potentially result in funds being returned.

**Proposed Corrective Action**

EXCELth, Inc. received funding from two sources to provide various levels of health care through out the network clinics. These sources provide funds on a lump sum basis to be utilized as needed to carry out the health care. All funds are monitored on either a monthly, quarterly or annual basis. Funds that was not utilized by December 31, 2009 from the PCASG has been approved by its funding source for future use during the subsequent fiscal year. As noted by the auditor, the remaining funds received from the UHF were returned as requested by the funder. EXCELth has begun developing a plan to fully utilize any advanced funds received through future grants.

**Projected Implementation/Completion Date: December 31, 2011**

Should you have additional concerns regarding our proposed corrective action, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron G. Tregre", with a stylized, cursive script.

Byron G. Tregre  
Chief Financial Officer  
cc: M. Andry, CEO

Board of Directors Finance / Audit Committee